

dabs.com plc

Annual report and accounts

for the year ended 31 March 2001

**Registered Number 2621728**

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for the year ended 31 March 2001

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## **Directors and Advisors**

### **Directors**

A D Atherton (Chairman)  
J F Wall  
D Dillon  
S M T Brayshaw

### **Secretary**

D Monks

### **Auditors**

PricewaterhouseCoopers  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

### **Solicitors**

Howarth Goodman  
Longfield  
Prestwich  
Manchester  
M2 5AX

### **Bankers**

The Royal Bank of Scotland  
46-48 Deansgate  
Bolton  
Lancashire  
BL1 1BH

### **Registered Office**

Direct House  
30 Wingates Industrial Park  
Westhoughton  
Bolton  
BL5 3XD

### **Registered Number**

2621728

## **Chairman's report**

As I noted last year we had to take action to return the company to profitability. I am pleased to report that this has now been completed. This has resulted in an improvement of £2.04m in operating profit from the previous year.

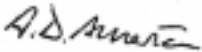
The cost of building our own dot.com infrastructure has been completed. We now have a fully integrated internet business, which allows customers' orders to be received, processed and paid on line. These are then fulfilled in our new National Logistics Centre. Consequently, we now operate a cost effective closed loop solution to meet our customers' requirements.

During 2000 we witnessed the demise of many of those dot.coms whose strategy had been to gain market share by offering unsustainable prices using venture capital start up funds. The exhaustion of these start up funds has resulted in a more stable market environment from which we have benefited.

Having completed its reorganisation dabs.com plc is now focused on growing its markets. To ensure that we manage this growth professionally we have strengthened the Board with the appointment of new Finance and Operations Directors.

I would like to take this opportunity to formally thank all employees who have helped bring about this restructuring and growth during a challenging period.

As we start this current year I look forward to an increasingly profitable future, which we can share with all employees and our other stakeholders who have supported us during 14 years of trading.



15 June 2001

## **Directors' report**

The directors present their report and the audited financial statements of the company for the year ended 31 March 2001.

### **Principal activities**

The principal activity of the company is the retailing of technology equipment.

### **Review of business and future developments**

A review of business and future developments is included in the Chairman's report on page 2.

The company changed its name from Dabs Direct plc to dabs.com plc on 19 April 2000.

### **Results and dividends**

In the year to 31 March 2001 the company made a profit after taxation of £777,000 (2000: Loss after taxation £1,104,000). A final dividend of £190,000 (2000: £Nil) has been proposed.

### **Directors and their interests**

The directors who held office during the year are given below:

A D Atherton (Chairman)  
P R Sharrock (resigned 23 March 2001)  
J F Wall  
D Dillon (appointed 10 January 2001)  
S M T Brayshaw (appointed 23 March 2001)

The following directors' interests in the shares of the company at the beginning and end of the year were:

	<b>Ordinary shares of £1 each</b>	
	<b>2001</b>	<b>2000</b>
A D Atherton	<b>249,999</b>	249,999

### **Employees**

The company's policy is to involve employees by way of appropriate consultation and discussion with staff in matters likely to affect employees' interests.

Information on matters of concern to employees is given through team briefings that seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

# **dabs.com plc**

## **Policy and practice on payment of creditors**

The company's current policy concerning the payment of creditors is to:

- (a) meet the terms of payment agreed with suppliers in respect of each transaction;
- (b) pay in accordance with contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

The number of days credit taken by the company at the end of the year was 43 days (2000: 50 days).

## **Contributions**

The company has made charitable contributions in the period of £5,000.

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

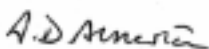
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

## **By order of the Board**



**A D Atherton**  
**Director**

15 June 2001

## **Auditors' report to the members of dabs.com plc**

We have audited the financial statements on pages 6 to 17, which have been prepared under the historical cost convention and the accounting policies set out on page 9.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

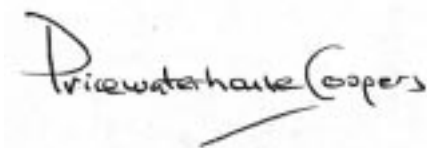
### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

### **PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors  
Manchester  
15 June 2001

**Profit and loss account**

	Note	2001 £'000	2000 £'000
<b>Continued operations</b>			
<b>Turnover</b>	1	<b>104,393</b>	85,980
Cost of sales		<b>(91,749)</b>	(76,155)
<b>Gross profit</b>		<b>12,644</b>	9,825
Net operating expenses	2	<b>(11,889)</b>	(11,110)
<b>Operating profit/(loss)</b>	3	<b>755</b>	(1,285)
<b>Profit/(loss) on ordinary activities before interest</b>		<b>755</b>	(1,285)
Interest receivable and similar income	7	<b>80</b>	97
Interest payable and similar charges	7	<b>(17)</b>	(11)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>818</b>	(1,199)
Tax on profit/(loss) on ordinary activities	8	<b>(41)</b>	95
<b>Profit/(loss) for the financial year</b>		<b>777</b>	(1,104)
Proposed dividends	9	<b>(190)</b>	-
<b>Retained profit/(loss) for the financial year</b>	18	<b>587</b>	(1,104)

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

**Balance sheet**

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible assets	10	5,914	2,509
Investments	11	70	100
		<b>5,984</b>	2,609
<b>Current assets</b>			
Stocks	12	1,272	2,746
Debtors	13	4,081	4,522
Cash at bank and in hand		4,696	1,884
		<b>10,049</b>	9,152
<b>Creditors: amounts falling due within one year</b>	14	<b>(12,973)</b>	(11,571)
<b>Net current liabilities</b>		<b>(2,924)</b>	(2,419)
<b>Total assets less current liabilities</b>		<b>3,060</b>	190
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(2,257)</b>	-
<b>Provisions for liabilities and charges</b>	16	<b>(26)</b>	-
<b>Net assets</b>		<b>777</b>	190
<b>Capital and reserves</b>			
Called up share capital	17	250	250
Profit and loss account	18	527	(60)
<b>Total equity shareholders' funds</b>	19	<b>777</b>	190

The financial statements on pages 6 to 17 were approved by the Board of directors on 15 June 2001 and signed on their behalf by:



A D Atherton  
S M T Brayshaw

**A D Atherton**  
**S M T Brayshaw**  
**Directors**

**Cash flow statement**

	Note	2001 £'000	2000 £'000
<b>Net cash inflow from operating activities</b>	20	<b>4,281</b>	1
<b>Returns on investments and servicing of finance</b>			
Interest received		80	97
Interest paid		(17)	(11)
<b>Net cash flow from returns on investments and servicing of finance</b>		<b>63</b>	86
<b>Taxation paid</b>		-	(138)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(3,882)	(757)
Sale of tangible fixed assets		33	18
Purchase of investment		-	(100)
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(3,849)</b>	(839)
<b>Equity dividends paid</b>		<b>(190)</b>	-
<b>Net cash flow before use of liquid resources and financing</b>		<b>305</b>	(890)
Bank loan		2,507	-
<b>Increase/(decrease) in net cash</b>	21	<b>2,812</b>	(890)

## Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on the going concern basis. At the year end the balance sheet showed that current liabilities exceeded current assets by £2,924,000. The directors believe that sufficient funds are available for the company to meet its requirements through the next phase of its development. For this reason they are happy that the going concern basis is appropriate.

### Turnover

Turnover represents the total of sales invoices less all credit notes issued and allowances and trading discounts given and is stated net of value added tax.

### Net operating expenses

Net operating expenses are split between distribution costs and administration costs on the basis of allocating all expenses other than wages and salaries to the appropriate cost heading. Wages and salaries are included within administration costs.

### Deferred taxation

Deferred taxation is provided on the liability method except where there is reasonable probability that no liability will arise in the foreseeable future.

### Fixed assets and depreciation

Depreciation is provided on a straight-line basis to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis, over their estimated useful lives as follows:

Computer equipment	25%
Motor vehicles	25%
Furniture and fittings	10%
Buildings	2%
Plant and machinery	20%

### Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

### Research and development

Expenditure on research and development is charged in the year in which it is incurred.

### Stocks

Stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for slow-moving and obsolete stocks.

### Investments

Investments are stated at cost, less any provision for permanent diminution in value.

### Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date. Differences arising on translation and on the conversion of foreign currency translations during the year are taken to the profit and loss account.

**Notes to the financial statements  
for the year ended 31 March 2001**

**1 Turnover**

**Geographical analysis of turnover by destination:**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
UK	<b>103,950</b>	85,075
Europe excluding UK	<b>438</b>	492
Rest of world	<b>5</b>	413
	<b>104,393</b>	85,980

All turnover originates entirely in the UK.

**2 Net operating expenses**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
<b>Continuing operations</b>		
Distribution costs	<b>5,625</b>	4,989
Administrative expenses	<b>6,264</b>	6,121
	<b>11,889</b>	11,110

**3 Operating profit/(loss)**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
<b>Operating loss is stated after charging/(crediting):</b>		
Depreciation of tangible fixed assets:		
Owned assets	<b>439</b>	383
Loss/(profit) on disposal of fixed assets	<b>5</b>	(7)
Other operating lease rentals	<b>304</b>	229
Auditors' fees	<b>40</b>	30

Fees paid to PricewaterhouseCoopers for non-audit services in the UK were £123,000 (2000: £3,000).

**4 Directors' emoluments**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Aggregate emoluments	<b>212</b>	361
Highest paid director	<b>81</b>	106

None of the directors have any company funded retirement benefits accruing.

**5 Employee information**

The average monthly number of persons (including executive directors) employed by the company during the year was:

	<b>2001</b>	2000
<b>By activity</b>	<b>£'000</b>	£'000
Selling and distribution	<b>98</b>	99
Administration	<b>94</b>	89
	<b>192</b>	188

**6 Employee costs**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Wages and salaries	<b>3,404</b>	3,318
Social security costs	<b>316</b>	286
Staff costs	<b>3,720</b>	3,604

**7 Interest and similar items**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Interest receivable - bank loans and overdrafts	<b>80</b>	97
Interest payable - bank loans and overdrafts	<b>(17)</b>	(11)

## 8 Tax on profit/(loss) on ordinary activities

	2001 £'000	2000 £'000
<b>Taxation on the profit for the year</b>		
UK corporation tax payable/(recoverable) at 20% (1999: 20%):		
Current	15	(95)
Deferred	26	-
	<b>41</b>	<b>(95)</b>

The tax charge for the year has been reduced through utilisation of the loss brought forward from the prior year.

## 9 Dividends

	2001 £'000	2000 £'000
<b>Equity - ordinary</b>		
Final proposed	190	-

## 10 Tangible assets

	Land and buildings £'000	Office equipment £'000	Fixtures and fittings £'000	Motor Vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>						
At 1 April 2000	1,892	1,300	217	59	-	3,468
Additions	2,671	326	36	51	798	3,882
Reclassification	(7)	(35)	-	-	42	-
Disposals	-	-	-	(59)	-	(59)
<b>At 31 March 2001</b>	<b>4,556</b>	<b>1,591</b>	<b>253</b>	<b>51</b>	<b>840</b>	<b>7,291</b>
<b>Accumulated depreciation</b>						
At 1 April 2000	54	819	67	19	-	959
Charge for the year	31	371	25	12	-	439
Reclassification	-	(9)	-	-	9	-
Disposals	-	-	-	(21)	-	(21)
<b>At 31 March 2001</b>	<b>85</b>	<b>1,181</b>	<b>92</b>	<b>10</b>	<b>9</b>	<b>1,377</b>
<b>Net book value</b>						
<b>At 31 March 2001</b>	<b>4,471</b>	<b>410</b>	<b>161</b>	<b>41</b>	<b>831</b>	<b>5,914</b>
At 1 April 2000	1,838	481	150	40	-	2,509

**11 Investments**

£'000

At 1 April 2000	100
Impairment	(30)
<b>At 31 March 2001</b>	<b>70</b>

Investments comprise a 100% holding in playdirect.com plc, a company that draws up accounts to 30 June. This is the date given to the company upon incorporation. The company has not commenced trading since incorporation. As set-up costs have been incurred, they have been written off. Consolidated financial statements are not prepared on grounds of immateriality.

**12 Stocks**

	2001 £	2000 £
Goods held for resale	1,272	2,746

**13 Debtors**

	2001 £'000	2000 £'000
Trade debtors	3,036	3,726
Corporation tax	80	95
Loans to directors	430	430
Other debtors	62	31
Prepayments and accrued income	473	240
	<b>4,081</b>	<b>4,522</b>

**14 Creditors: amounts falling due within one year**

	2001 £'000	2000 £'000
Bank loan	250	-
Amount due to subsidiary	70	-
Trade creditors	10,889	11,068
Other creditors -including taxation and social security	1,110	109
Accruals and deferred income	654	394
	<b>12,973</b>	<b>11,571</b>

**15 Creditors: amounts falling due after one year**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Bank loan	2,257	-

At year-end the bank loan was secured via a fixed charge on all of the company's assets. Subsequent to year-end this was amended to a charge over all of the land and buildings of the company.

The bank loan is repayable in monthly instalments over 10 years, with interest being charged based on LIBOR.

The repayment profile is as follows:

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Falling due in less than one year	250	-
Falling due between one and two years	250	-
Falling due between two and five years	750	-
Falling due in greater than five year	1,257	-
	<b>2,507</b>	-

## 16 Provisions for liabilities and charges

### Deferred taxation

Provision for deferred taxation has been made as follows:

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Balance at 1 April 2000	-	-
Profit and loss account	<b>26</b>	-
<b>Balance at 31 March 2001</b>	<b>26</b>	-

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability are as follows:

	Amount provided		Amount unprovided	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Excess of capital allowances over depreciation	<b>35</b>	-	-	(31)
Other short term timing differences	<b>(6)</b>	-	-	-
Losses	<b>(3)</b>	-	-	(324)
	<b>26</b>	-	-	(355)

## 17 Called up share capital

	<b>2001</b>	2000
	<b>£'000</b>	£'000
<b>Authorised</b>		
500,000 ordinary shares of £1 each	<b>500</b>	500
<b>Allotted and fully paid</b>		
250,000 ordinary shares of £1 each	<b>250</b>	250

## 18 Retained profit/(loss) for the financial year

	<b>Profit and loss account</b>
	<b>£'000</b>
At 1 April 2000	(60)
Retained profit for the financial year	587
<b>At 31 March 2001</b>	<b>527</b>

## 19 Reconciliation of movements in shareholders funds

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Profit/(loss) attributable to shareholders	777	(1,104)
Dividends	<b>(190)</b>	-
Net change in shareholders funds	<b>587</b>	(1,104)
Opening shareholders' funds	<b>190</b>	914
Closing shareholders' funds	<b>777</b>	190

## 20 Reconciliation of operating profit to net cash flow from operating activities

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Operating profit/(loss)	755	(1,285)
Depreciation	<b>439</b>	383
Loss/(profit) on sale of fixed assets	5	(6)
Impairment of investment	<b>30</b>	-
Decrease/(increase) in stocks	<b>1,474</b>	(377)
Decrease/(increase) in debtors	<b>426</b>	(99)
Increase in creditors	<b>1,152</b>	1,385
<b>Net cash flow from continuing operations</b>	<b>4,281</b>	1

## 21 Analysis of changes in net cash

	At 1 April 2000	Cash flow	At <b>31 March</b> <b>2001</b>
	£'000	£'000	£'000
Cash at bank and in hand	1,884	2,812	<b>4,696</b>
Total	1,884	2,812	<b>4,696</b>

## 22 Other related party disclosures

On 7 October 1999, the company entered into an arrangement to lend £220,000 to P R Sharrock, a director, for the purpose of purchasing a house. On 3 December 1999, the company entered into a similar arrangement to lend J F Wall, a director, £210,000 to purchase a house. Both these loans are secured by charges over the property purchased with the loan, and incur interest charges at the LIBOR rate. The loan in respect of J F Wall was repaid on 27 April 2001. P R Sharrock resigned as a director on 23 March 2001. This loan is still outstanding.

Other information relating to these loans is:

Directors	Amount due at 31 March 2001 and maximum amount due during year £'000	Repayment basis
P R Sharrock	220	Interest charges are made monthly and are settled as they become due.
J F Wall	210	Interest charges are made monthly and settled as they become due.

During the year D Atherton, a director, had a loan account with the company. The maximum amount this account reached was £190,000. At 31 March 2001 the net balance on this account was £nil as it has been offset by the proposed dividend of £190,000.

## 23 Capital and other commitments

	2001 £'000	2000 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<b>60</b>	2,667

## 24 Financial commitments

At 31 March 2001 the group had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	<b>10</b>	-	6
Expiring between two and five years	-	<b>215</b>	-	118
Expiring in over five years	<b>104</b>	-	104	-
	<b>104</b>	<b>225</b>	104	124